

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5832-02
Bill No.: HB 2171
Subject: Labor and Management; Civil Rights
Type: Original
Date: March 30, 2016

Bill Summary: This proposal requires state certification of minority business enterprises and establishes a job training program for persons of low and moderate income.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(Unknown Could Exceed \$100,000)	(Unknown Could Exceed \$100,000)	(Unknown Could Exceed \$100,000)
Total Estimated Net Effect on General Revenue	(Unknown Could Exceed \$100,000)	(Unknown Could Exceed \$100,000)	(Unknown Could Exceed \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
State-Funded Project Program*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

*Transfers In and Costs net to zero.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Economic Development - Division of Workforce Development (DWD)** assume §620.2557 establishes a job training program for persons of low to moderate income to receive training that would allow them to find gainful employment in state funded projects within the state. However, it is unclear where this program is expected to be located. It is also unclear what types of projects would be involved and the expected duration of employment for each project. Without this information, DWD is not able to project the fiscal impact accurately.

DWD currently administers employment and training programs authorized and funded by the federal government. These programs and services provided through this funding source include, but are not limited to, job search assistance to connect job seekers with employment opportunities, job preparation activities, work based learning and skill training for eligible adults, dislocated workers, veterans, UI claimants, and youth.

Officials at the **Office of Administration - Office of Equal Opportunity (OEO)** assume this proposal would require 2 additional Planner II positions (Total cost for 2 FTE x \$42,952 is \$85,904 plus fringes) and yearly employee training for the new FTE estimated at \$1,208 per FTE for a total of \$2,416. (Per the Association of Talent Development (ATD), in 2013 organizations spent an average of \$1,208 per employee on training and development.)

Oversight assumes OEO can handle the duties outlined in this proposal with current staff. Should OEO see an increase in responsibilities to justify additional FTE, they can seek those FTE through the appropriation process.

Officials at the **Office of Administration - Facilities Management, Design and Construction (FMDC)** assume FMDC would not be conducting the training and with that assumption, there would be no fiscal impact for training.

§290.170.1 of the bill would require 20% of hours spent on a public works project to be performed by apprentices. FMDC would have to make this a requirement of construction contracts. Some contractors may choose not to bid on state projects if they are unable or unwilling to meet the requirement, leading to less competitive bidding and potentially higher bid prices. FMDC is unable to estimate any such increased costs as it would depend on the business judgment of each potential bidder.

§620.2557.2 of the bill would require first 25%, and then 35% of jobs for state-funded projects to

ASSUMPTION (continued)

be filled with participants of a job training program created by the bill. FMDC would have to make this a requirement of construction contracts. Some contractors may choose not to bid on our projects if they are unable or unwilling to meet the requirement, leading to less competitive bidding and potentially higher bid prices. FMDC is unable to estimate any such increased costs as it would depend on the business judgment of each potential bidder.

Officials at the **Office of Administration - Purchasing** assume that “jobs for state-funded projects” wouldn’t include any of the division’s contractors. If that assumption proves incorrect, significant fiscal impact could result.

Officials at the **Office of the State Treasurer**, the **Office of Administration - Accounting** and the **Office of Administration - Personnel** each assume no fiscal impact from this proposal to their respective organizations.

Oversight is unable to determine the number of applicants that may be qualified for this program or the costs of training those qualified applicants. Therefore, Oversight will show the impact as an Unknown amount that Could Exceed \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Transfer Out</u> - State-Funded Project Program Fund job	(Unknown Could Exceed <u>\$100,000</u>)	(Unknown Could Exceed <u>\$100,000</u>)	(Unknown Could Exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	(Unknown Could Exceed <u>\$100,000</u>)	(Unknown Could Exceed <u>\$100,000</u>)	(Unknown Could Exceed <u>\$100,000</u>)
STATE-FUNDED PROJECT PROGRAM FUND			
	Unknown Could Exceed	Unknown Could Exceed	Unknown Could Exceed
<u>Transfer In</u> - General Revenue	\$100,000	\$100,000	\$100,000
	(Unknown Could Exceed <u>\$100,000</u>)	(Unknown Could Exceed <u>\$100,000</u>)	(Unknown Could Exceed <u>\$100,000</u>)
<u>Costs</u> - job training §620.2557			
ESTIMATED NET EFFECT ON STATE-FUNDED PROJECT PROGRAM FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses bidding on state contracts could be affected by requirements in this proposal.

FISCAL DESCRIPTION

This bill requires any minority business enterprise seeking to work on state-funded projects to receive state certification as a minority business enterprise.

This bill also requires at least 20% of the hours worked on the construction of public works projects to be worked on by apprentices.

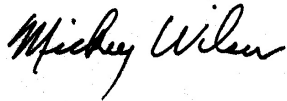
This bill requires the Department of Economic Development to establish a job training program for persons of low and moderate income individuals. For the first year after the establishment of the program, 25% of jobs for state-funded projects must be filled by qualified program participants. After the first year, 35% of jobs for state-funded projects must be filled by qualified program participants. The Department of Economic Development must provide the General Assembly a report which will include its recruitment process to fill state-funded projects and the success of the job training program, including the number of participants who have completed the program.

This bill establishes a "State-Funded Project Program Fund," appropriated by the General Assembly. The moneys in the fund must be used solely for the administration of this program.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Office of Administration - Office of Equal Opportunity
Office of Administration - Facilities Management, Design and Construction
Office of Administration - Purchasing
Office of Administration - Accounting
Office of Administration - Personnel
Office of the State Treasurer



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